



Foreign Agricultural Service

GAIN Report

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Brazil

Grain and Feed

Update for January Lockup

2001

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Report Highlights:

Post raised the 2000/01 and 2001/02 corn crop forecasts to 41.536 million tons and 38.5 million tons, respectively. The corn export forecasts were raised to 5.8 million tons for 2000/01 and 2 million tons for 2001/02. Recent corn sales earned a \$4-6/ton premium, largely because commercial planting of biotech crops is prohibited. Post raised the 2001/02 forecasts for rice area harvested and production to 3.37 million hectares and 11 million tons, respectively.

Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

Brasilia [BR1], BR

Wheat	<u>2</u>
Wheat PS&D	<u>2</u>
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Corn PS&D	<u>3</u>
Rice	<u>5</u>
Rice PS&D	<u>5</u>

Executive Summary

Post raised the 2000/01 corn production forecast to 41.536 million tons, due to a strong corn crop. The 2001/02 production forecast was raised to 38.5 million tons, as next year's safrinha (smaller second crop) is likely to increase substantially due to the expected rise in corn prices. Post raised the corn export forecast to 5.8 million tons in 2001 and 2 million tons for 2002 due to continuing export success and growing interest in Brazilian corn. In less than a year, Brazilian corn transformed from a discount product to a premium commodity, largely because Brazil prohibits the commercial planting of biotech crops. Last week, 20,000 tons of corn were sold at US\$100 per ton FOB, ranging between US\$4 and US\$6 above the Chicago Board of Trade quotes.

Post raised the 2001/02 forecasts for area harvested and rice production to 3.37 million hectares and 11 million tons, respectively, due to higher estimates indicated in the latest survey by CONAB. As a result of greater expected production, the forecast for 2001/02 ending stocks was raised to 999,000 tons.

Wheat

Post made no changes to the wheat PS&D.

Wheat PS&D

PSD Table						
Country	Brazil					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Harvested	1252	1252	1468	1468	1587	1587
Beginning Stocks	775	846	1250	932	610	90
Production	2403	2403	1660	1658	3000	2950
TOTAL Mkt. Yr. Imports	7555	7733	7200	7700	6500	7200
Jul-Jun Imports	7196	7227	7300	7700	6500	7200
Jul-Jun Import U.S.	79	150	0	100	0	200
TOTAL SUPPLY	10733	10982	10110	10290	10110	10240
TOTAL Mkt. Yr. Exports	4	0	0	0	0	0
Jul-Jun Exports	4	0	0	0	0	0
Feed Dom. Consumption	200	200	200	500	200	200
TOTAL Dom. Consumption	9479	10050	9500	10200	9500	10100
Ending Stocks	1250	932	610	90	610	140
TOTAL DISTRIBUTION	10733	10982	10110	10290	10110	10240

Corn

Post raised the 2000/01 corn production forecast to 41.536 million tons, due to a strong corn crop. The 2001/02 production forecast was raised to 38.5 million tons, as next year's safrinha (smaller second crop) is likely to increase substantially due to the expected rise in corn prices. Furthermore, the 2001/02 summer crop is currently enjoying favorable weather. Post adjusted the final corn stocks figures to 810,000 tons in 1999, 910,000 tons in 2000, and 1.05 million tons in 2001, in concordance with the latest Government statistics.

The 2000/01 corn import forecast was raised to 600,000 tons, while the 2001/02 forecast was lowered to 600,000 tons. Northeastern Brazil remains a corn importer, as it is cheaper for the region to import corn from Argentina due to the high internal freight costs.

Post raised the corn export forecast to 5.8 million tons in 2001 and 2 million tons for 2002 due to continuing export success and growing interest in Brazilian corn. In less than a year, Brazilian corn transformed from a

discount product to a premium commodity, largely because Brazil prohibits the commercial planting of biotech crops. Last week, 20,000 tons of corn was sold at US\$100 per ton FOB, ranging between US\$4 and US\$6 above the Chicago Board of Trade quotes.

Brazil's corn exports have been stimulated by a weakening currency relative to the U.S. dollar, large supplies, and generalized fears over biotechnology among some of the world's largest corn importers. The most significant factor in Brazil's recent export success is the interest by corn importers to source non-GMO product. New labeling requirements for products containing GMOs are influencing purchasing patterns, as importers view Brazilian corn as less risky.

The expected decline in corn exports in 2002 is not due to dropping demand for Brazilian corn, but rather to smaller supplies resulting from reduced stocks and lower production. If Brazil continues to capture a premium for non-GMO corn, their presence in the export market may become long term and production would likely increase. However, production changes depend on international prices for various commodities as corn competes for area with other lucrative crops, such as soybeans and cotton.

Corn PS&D

PSD Table						
Country	Brazil					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		04/2000		04/2001		04/2002
Area Harvested	12490	12758	14000	13144	12800	12468
Beginning Stocks	1000	1879	600	810	1350	910
Production	31641	31641	41000	41536	36000	38500
TOTAL Mkt. Yr. Imports	1500	1770	300	600	500	600
Oct-Sep Imports	1789	1700	650	600	500	600
Oct-Sep Import U.S.	43	79	20	50	0	50
TOTAL SUPPLY	34141	35290	41900	42946	37850	40010
TOTAL Mkt. Yr. Exports	497	0	6000	5800	1000	2000
Oct-Sep Exports	50	0	3744	4000	3800	3800
Feed Dom. Consumption	27853	29300	30550	32000	31500	33500
TOTAL Dom. Consumption	33044	34480	34550	36236	35500	36960
Ending Stocks	600	810	1350	910	1350	1050
TOTAL DISTRIBUTION	34141	35290	41900	42946	37850	40010

Rice

Post raised the 2001/02 forecasts for area harvested and rice production to 3.37 million hectares and 11 million tons, respectively, due to higher estimates indicated in the latest survey by CONAB. As a result of greater expected production, the forecast for 2001/02 ending stocks was raised to 999,000 tons.

Rice PS&D

PSD Table						
Country	Brazil					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		04/2000		04/2001		04/2002
Area Harvested	3678	3678	3250	3250	3300	3370
Beginning Stocks	1205	1285	1561	1641	1093	1079
Milled Production	7768	7768	7062	7062	7400	7480
Rough Production	11424	11424	10385	10385	10882	11000
MILLING RATE (.9999)	6800	6800	6800	6800	6800	6800
TOTAL Imports	602	602	490	490	525	500
Jan-Dec Imports	700	700	500	500	500	500
Jan-Dec Import U.S.	2	2	0	2	0	0
TOTAL SUPPLY	9575	9655	9113	9193	9018	9059
TOTAL Exports	58	58	25	156	25	100
Jan-Dec Exports	50	50	25	150	25	100
TOTAL Dom. Consumption	7956	7956	7995	7958	8000	7960
Ending Stocks	1561	1641	1093	1079	993	999
TOTAL DISTRIBUTION	9575	9655	9113	9193	9018	9059